

Statement of David McCall
Director, United Steelworkers District 1
777 Dearborn Park Lane, Suite J
Columbus, Ohio 43085
(614) 888-6052

Presented As Part Of the Electronic Hearing Conducted By
House Committee On Education And The Workforce

On behalf of the approximately 850,000 members of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW" or "United Steelworkers"), I am pleased to present this statement in connection with the electronic hearing concerning the crisis in the American auto industry. The current crisis in the American auto industry is yet another terrible example of the destruction caused by our government's failed trade, industrial and health care policies.

The United Steelworkers and its members have borne the brunt of more than two decades of industrial crisis. Since 1998, over 40 steel companies have filed Chapter 11 bankruptcy cases. Nearly 200,000 Steelworker retirees and surviving spouses have lost retiree insurance coverage as a result of these bankruptcy cases. In response, the USW has been at the center of reshaping the entire American steel industry. It was and remains our goal to restructure the steel industry in a way that protects the employment security of our members and the pension and health care benefits of our retirees, and not simply to restructure debt for the benefit of banks, bondholders or other financial parties. At the same time, dozens of other USW employees in the aluminum, iron ore, foundry, and other industries have filed Chapter 11 cases and tens of thousands of other USW members and retirees have had their livelihoods imperiled by employer conduct. Within District 1 which I represent, a district that covers the entire state of Ohio, some of our largest employers, including LTV Steel, Wheeling-Pittsburgh Steel, WCI Steel, Republic Technologies, and Ormet Aluminum have been in bankruptcy.

Thousands of USW members are directly at risk in the current auto industry crisis. The USW represents workers at bankrupt auto suppliers such as Delphi Corporation (where 1,000 members work at two plants near Dayton, Ohio), Collins & Aikman, Tower Automotive, Meridian Automotive, and others. Some of the local unions have been USW units for decades while other units have come to us through our mergers with the United Rubber Workers Union and PACE International Union. While other unions may represent more workers in the auto industry than the USW, the United Steelworkers expects to bring to bear its experience working to restructure the steel industry to consider the future prospects of the segments of the auto supply industry where our members are employed.

Since the case was filed in October 2005, Delphi Corporation's bankruptcy has been an exercise in corporate excess and crippling short-sightedness. Immediately after filing in bankruptcy, Delphi made bargaining proposals to each of its unions that would

have slashed wages by more than half, forced workers to bear unsupportable shares of health insurance costs, terminated pension accruals for current workers, and eliminated the retiree insurance benefits of current and future retirees. At the same time as Delphi's management sought to impose all of the weight of the restructuring on the backs of its workers and retirees, it pursued bankruptcy court approval for a key employee compensation program that would have dealt nearly \$80 million in combined value to a small core of top managers. Delphi ignored the corrosive effect that the executive compensation program would have on its hourly work force.

Delphi recently withdrew its initial bargaining proposals and has postponed its own deadlines for asking the Bankruptcy Court in Manhattan for relief from its labor and retiree insurance agreements. While the USW, of course, views Delphi's withdrawal of its initial proposal as a step in the right direction, we will not believe that Delphi's management understands that it needs to involve all of its unions in the reorganization of that company until it proves it at the bargaining table. The USW will hold all of the other auto supply sector employers to the same test.

The auto supply industry bankruptcy cases should lead Congress to once again reconsider this country's failed trade policies, policies that have caused spiraling trade deficits and led to the loss of 3 million manufacturing jobs in the period of 2000 through 2004 (a 17% decline). Congress should use this as an opportunity to review our industrial policy (or lack of an industrial policy) to consider means to preserve good paying industrial jobs that are critical to our economy, national defense, and the welfare of our communities. Further, in light of the role that escalating health care costs have played in the troubles of each of these employers, Congress also should use this as an opportunity to debate and pass real health care reform in order to move away from our current inefficient, expensive and inadequate hodge-podge system and toward a system that guarantees coverage to all Americans. Finally, in light of the imperiled pension benefits of hundreds of thousands of Americans, Congress should continue the ongoing debate over pension reform and take more firmly into consideration both the expectation interests of workers and retirees receiving the many forms of negotiated pension benefits (including shutdown pension benefits designed to soften the blow of plant shutdowns) and the bottom-line interests of PBGC in enhancing its liquidity.

In short, while there are factors unique to the auto supply industry that have contributed to its current problems, from the perspective of the USW, much of the challenge at hand is the result of this country having failed to absorb the hard-learned lessons of several decades of industrial trouble. It is time for Congress to take on this challenge.